

Message Text

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ACTION ARA-10

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SUBJ: FISCAL SITUATION VENEZUELA

REF: CARACAS 4785, 4979

1. ACCORDING TO FIGURES JUST RELEASED BY THE CENTRAL BANK, TOTAL GOVT REVENUE FOR THE FIRST QUARTER OF 1975 WAS BS. 10,225 BILLION COMPARED TO BS. 4,778 BILLION FOR THE FIRST QUARTER OF 1974. NEVERTHELESS, TOTAL GOVT EXPENDITURES FOR FIRST QUARTER 1975 WERE BS. 10.899 BILLION RESULTING IN A DEFICIT OF BS. 674 MILLION.

2. PETROLEUM CONTRIBUTED BS. 8.549 BILLION TO GOVT REVENUE, OF WHICH TAXES REPRESENTED BS. 6.254 BILLION AND ROYALTIES BS. 2.295 BILLION.

3. ON THE EXPENDITURE SIDE, CURRENT EXPENDITURES FOR THE FIRST QUARTER AMOUNTED TO BS. 5.140 BILLION AND CAPITAL EXPENDITURES BS. 5.759 BILLION. OF THE LATTER CATEGORY BS. 736 MILLION REPRESENTED FIXED CAPITAL FORMATION; BS. 3.060 BILLION TO THE VENEZUELAN INVESTMENT FUND; BS 1.911 BILLION, OTHER INVESTMENT AND TRANSFERS; AND BS. 52 MILLION FOR AMORTIZATION OF THE PUBLIC DEBT.

4. ACCORDING TO PRESS RELEASE BASED ON SOURCES IN THE MINISTRY OF FINANCE AND REPORTEDLY CONFIRMED BY DIRECTOR GENERAL OF LIMITED OFFICIAL USE

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FINANCE IVAN PULIDO MORA, GOVT REVENUE FOR 1976 IS PROJECTED

AT BS. 40 BILLION PREDICATED ON A PRODUCTION OF PETROLEUM OF 2.2 MILLION BARRELS PER DAY OR 400,000 B/D LESS THAN THE AVERAGE PROJECTED FOR 1975. THIS ESTIMATE WOULD MAKE THE BUDGET FOR 1976 EQUAL TO THAT NOW AUTHORIZED FOR 1975. ALTHOUGH THE ORIGINAL BUDGET FOR 1975 WAS AUTHORIZED TO BE BS. 41.5 BILLION, SUBSEQUENTLY IT WAS REDUCED BY BS. 1.5 BILLION TO ITS PRESENT LEVEL OF BS. 40 BILLION.

5. COMMENT: WHILE THERE HAS BEEN SOME CRITICISM EXPRESSED BY THE PRIVATE SECTOR, INCLUDING FEDECAMARAS, THAT EXPENDITURES ARE RISING AT A FASTER RATE THAN INCOME, THE MINISTRY OF FINANCE IS NOT CONCERNED AT THIS POINT THAT IT WOULD NOT HAVE SUFFICIENT REVENUE TO FINANCE NORMAL GOVT OPERATIONS. IT LOOKS UPON THE VENEZUELA INVESTMENT FUND AS A BUFFER WHICH WOULD, ACCORDING TO THE FUND'S STATUTES, RECEIVE LESS INCOME IF THE ABSOLUTE LEVEL OF GOVT REVENUE DECLINES BELOW THE 1974 BASE. ON THE OTHER HAND, IF THERE SHOULD BE A SUBSTANTIAL DROP IN PETROLEUM REVENUE, THE FLEXIBILITY AND INVESTMENT POTENTIAL OF THE FUND WOULD BE SEVERELY REDUCED.

6. FINANCE MINISTRY PRESS RELEASE ESTIMATING PETROLEUM PRODUCTION AT 2.2 MILLIONB/D IN 1976 IS REPETITION OF MINISTER HURTADO'S ANNOUNCEMENT AT THE FEDECAMARAS MEETING, AS REPORTED REF A. STATEMENT APPEARS TO BE INACCURATE IN PROJECTING 1976 PRODUCTION AT 400,000 B/D LESS THAN 1975. IT ASSUMES 1975 PRODUCTION AVERAGE OF 2.6 MILLIONB/D WHILE IT IS ALREADY DOWN TO 2.4 MILLION B/D. AS REPORTED IN REF B, THIS LATTER IS THE LEVEL THAT THE MINISTRY OF MINES AND HYDRO-CARBONS WISHES TO MAINTAIN. SHLAURDEMAN

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